

with, an accelerated current towards Europe. The net gold exports from the United States in 1862 were \$21,532,892 ; in 1863, \$56,632,300; in 1864, \$89,484,865 ; and in 1865, \$51,-882,805. These great additions to the monetary supply of Europe produced only a slight effect upon prices, \* but they proved a great stimulus to business activity, because of the means of conducting exchanges which they put in circulation in countries formerly without such means. The effect in France is described by an eminent French writer,<sup>2</sup> in the following terms:

In those *arrondissements* and cantons where formerly the bill was a myth and the gold louis a phenomenon, hundreds of thousands of francs and even millions in specie and in bills are now in continuous rotation, promoting a movement of transactions which grow in intensity and extent day by day. They constitute a potent dike against depression and depreciation. The ancient possessor of monetary capital is neither robbed nor defrauded by this increase in the quantity of instruments of circulation, whether the increase consists in real gold or in credit gold (*orsupposS*). On the contrary, he gains as much by it, more perhaps, than the general public. The superior activity of exchanges assures to the aggregate of circulating capital employment more fertile, more constant, and, inasmuch as it stimulates production and renders products more abundant and less dear, it even increases the value and the purchasing power of the preexisting gold.

The news of war in America had an immediate effect upon the price of cotton and upon the London money market. The first influence upon the Bank of England, before the suspension of specie payments in the United States, was a loss of bullion and an increase of the discount rate on February 14, 1861, to eight percent. The United States became smaller purchasers than before from Europe and if they had remained on a specie basis might have exacted the price of

<sup>1</sup> Prof. Jevons, who accepts the quantitative theory of money sufficiently to make a careful mathematical calculation of the effects of the new gold, declares "that ten per cent may be taken as the best approximation which we can get to the rise of prices between 1845-50 and 1860-62."—Investigations in Currency and Finance', 58.

<sup>2</sup> Horn, 264.